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INTELLIGENCE BRIEF

MODEST GROWTH IN COMMUNIST EXPORTS OF PETROLEUM
TO THE FREE WORLD IN 1964

DIRECTORATE OF INTELLIGENCE

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MODEST GROWTH IN COMMUNIST EXPORTS OF PETROLEUM
TO THE FREE WORLD IN 1964

The sale of petroleum by Communist countries* to non-Communist countries in 1964 increased at the lowest rate since 1957. It is estimated that the Communist countries exported about 36 million metric tons (mt) of crude oil and petroleum products, valued at about US \$500 million, to non-Communist countries in 1964. This quantity, divided approximately equally between crude oil and petroleum products, represented an increase of only 6 percent, compared with the 34 million mt exported in 1963. All of this increase was provided by the USSR, which exported about 31 million mt of petroleum to non-Communist countries in 1964. Exports from the Communist countries of Eastern Europe in 1964 (about 5.5 million mt) were unchanged from the quantity exported in the preceding year. As in 1963, petroleum was second only to gold as an earner of hard currency for the USSR. Some acceleration in sales of Communist petroleum to non-Communist countries is anticipated in 1965. Although production in the first quarter has been sluggish, total exports for 1965 may be on the order of 40 million mt, or 11 percent more than in 1964. Moreover, it is believed that the sale of crude oil for the first time will exceed the sale of petroleum products (see Figure 1).

1. Reduced Growth in Supply and Increased Domestic Demand

Increased domestic demand, coupled with reduced growth in supply and rising competition abroad, probably precluded the sale of any larger quantities of petroleum from Communist countries in 1964. Production of crude oil in the USSR was 224 million mt, 18 million mt more than in the previous year. This was the smallest quantitative increase for any year since 1959. After satisfying domestic requirements the USSR had an estimated 55 million mt of petroleum available for export -- more than in any previous year but exceeding 1963 exports by only 4 million mt.

* The term Communist countries refers to the USSR and the Communist countries of Eastern Europe (including Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Rumania, but excluding Albania and Yugoslavia).

Of the 55 million mt, 24 million mt* were exported to other Communist countries. Output of crude oil in the Communist countries of Eastern Europe increased only slightly, from 14.6 million mt in 1963 to 14.8 million mt in 1964, and claims by these countries on Soviet petroleum available for export reached a new high of 18 million mt. These acquisitions from the USSR, together with indigenous output, were sufficient to cover increased domestic demand but not to permit any addition to exports by the Communist countries of Eastern Europe. (The allocation of the supply of crude oil and petroleum products in the USSR and the Communist countries of Eastern Europe is shown in Figure 2.)

2. Significance of Communist Exports of Petroleum to Western Purchasers

Communist exports of petroleum represented about 5 percent of the total demand of the non-Communist world outside the US in 1964. Western Europe received three-fourths of total Communist exports of petroleum to non-Communist countries in 1964, but the quantity imported represented only 8 percent of Western European demand. The quantities of petroleum imported by the individual non-Communist countries and the share that such quantities represented of local demand are shown in the accompanying table. As shown in the table, imports from the Communist countries satisfy at least 60 percent of demand for petroleum in Finland, Afghanistan, Ceylon, and Iceland. However, total demand in these countries is small, and only Finland imports significant quantities of Communist petroleum. In those non-Communist countries that import sizable quantities of Communist petroleum -- Italy, West Germany, Sweden, and Japan -- domestic demand is of sufficient magnitude that these imports play only a minor role.

* Allocated among other Communist countries as follows (million mt):

	<u>Crude Oil</u>	<u>Petroleum Products</u>	<u>Total</u>
Eastern Europe	14.0	4.0	18.0
Cuba	3.4	1.1	4.5
Others	0	0.7	0.7
Yugoslavia	0.3	0.2	0.5
Communist China	0	0.5	0.5
Total	<u>17.7</u>	<u>6.5</u>	<u>24.2</u>

Certain new markets were acquired by Communist countries in 1964, but only Spain and Argentina offer good prospects of larger purchases of Communist petroleum in the future.

3. Motivation for Communist Exports of Petroleum

In attempting to expand their share of the international petroleum market, the Communist countries have been conducting themselves in a manner not generally distinguishable from their competitors. They have sought to realize maximum gain from exports of petroleum, one of the best export commodities available for earning foreign exchange. In 1964, as in earlier years, the Communist countries were careful to preserve their image as a reliable source, and there were no noticeable failures to meet commitments, either in quantity or in quality. Resistance to importing petroleum from Communist countries appears to be weakening. The trade agreement between the USSR and Italy, signed in early 1964 and covering the years 1966-69, removed the previous restriction that imports of Soviet crude oil not exceed 14 percent of total imports of petroleum into Italy.

4. Ports of Origin

Most of the Communist exports of petroleum to non-Communist countries continued to originate at the Black Sea ports of Batumi, Tuapse, Odessa, Novorossiysk, Theodosia, and Constanta. Increasing importance, however, was given to exports from the Baltic Sea ports of Klaipeda and Ventspils, the ports most conveniently situated for exports to Western Europe. The growth in deliveries from these ports -- from about 5 million mt in 1963 to an estimated 8 million mt in 1964 -- was equivalent to the total increment in Soviet sales of petroleum to non-Communist countries during 1964.

5. Prospects for 1965

The USSR will require a total exportable surplus of at least 44 million mt of crude oil to meet existing trade commitments to export a minimum of 21 million mt to non-Communist countries in 1965 and to meet planned and/or probable deliveries of 23 million mt to other Communist countries. A sluggish performance in production during the first quarter of 1965, compared with the first quarter of 1964, has caused deliveries to both Communist and non-Communist countries to run behind schedule. Although the USSR probably has limited flexibility with respect to its petroleum supply-demand situation in 1965, it is

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believed that production and refining plans for crude oil will be modified as necessary to insure fulfillment of export obligations.

After domestic requirements have been met, it is probable that an exportable surplus of approximately 19 million mt of petroleum products will be available. The pattern of sales of petroleum products may be approximately the same as in 1964 -- 6 million mt to other Communist countries and 13 million mt to non-Communist countries.

Thus exports of crude oil and petroleum products to non-Communist countries by the USSR in 1965 may be on the order of 34 million mt. To these exports from the USSR will be added a probable 6 million mt of petroleum products from the Communist countries of Eastern Europe. Total Communist sales of petroleum to non-Communist countries in 1965, therefore, may be on the order of 40 million mt, roughly 11 percent more than such sales in 1964.

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Communist Exports of Petroleum to Non-Communist Countries, by Destination a/*
1964

Thousand Metric Tons						
	Petroleum Products					
Destination	Crude Oil from the USSR	From the USSR	From the Eastern European Communist Countries	Total	Total Petroleum	Percent of Recipient Demand
Total non-Communist countries	18,000	12,600	5,500	18,000	36,000	5 b/
Western Europe	13,221	9,450	4,617	14,067	27,000	8
OECD	11,203	7,126	4,424	11,550	23,000	7
NATO	10,649	3,926	3,034	6,960	18,000	6 b/
Common market	10,071	2,262	2,512	4,774	15,000	8
Belgium	31	222	91	313	340	3
France	210	906	536	1,442	1,700	4
Italy c/	6,800	385	305	690	7,500	17
Netherlands	0	50	0	50	50	Negl.
West Germany	3,030	699 d/	1,580 d/	2,279 d/	5,300	8
Other NATO	578	1,664	522	2,186	2,800	3
Denmark	59	276	0	276	340	4
Greece	464	758	379	1,137	1,600	43
Iceland	21	315	36	351	370	60
Norway	0	225	47	272	270	6
Portugal	0	0	48	48	50	2
Turkey	0	52	0	52	50	2
UK	34	38	12	50	80	Negl.
Other OECD	554	3,201	1,390	4,591	5,100	18
Austria	554	0	1,090	1,090	1,600	33
Sweden	Negl.	3,200	143	3,343	3,300	20
Switzerland	0	1	157	158	160	2

* Footnotes follow on p. 6.

Communist Exports of Petroleum to Non-Communist Countries, by Destination s/
1964
(Continued)

Destination	Thousand Metric Tons					Percent of Recipient Demand
	Petroleum Products					
	Crude Oil from the USSR	From the USSR	From the Eastern European Communist Countries	Total	Total Petroleum	
Western Europe (Continued)						
Other European	2,018	2,324	193	2,517	4,500	13
Cyprus	0	44	0	44	40	2
Finland	1,900	2,280	165	2,445	4,300	96
Spain	118	0	28	28	150	2
Middle East and Africa	<u>987</u>	<u>616</u>	<u>277</u>	<u>993</u>	<u>1,900</u>	3
Algeria	0	3	0	3	3	Negl.
Guinea and Mali	54	19	0	19	70	26
Israel	169	72	18	90	260	9
Morocco	192	90	4	94	290	22
Senegal	0	21	0	21	20	11
Republic of South Africa	0	10	0	10	10	Negl.
Sudan	24	8	0	8	30	4
Syrian Arab Republic	4	101	129	230	230	17
United Arab Republic	544	262	125	387	930	17
Yemen	0	30	1	31	30	1
Asia	<u>2,554</u>	<u>2,336</u>	<u>592</u>	<u>2,928</u>	<u>2,500</u>	5
Afghanistan	0	100	0	100	100	69
Burma	54	22	0	22	80	9
Ceylon	0	627	72	699	700	69
India	0	587	0	587	590	5
Japan	2,500	1,000	520	1,520	4,000	5
Latin America	<u>1,640</u>	<u>215</u>	<u>0</u>	<u>215</u>	<u>1,900</u>	2
Argentina	0	86	0	86	90	Negl.
Brazil	1,640	129	0	129	1,800	11

a. Regional totals and total shipments of products represent summation of shipments to individual countries. Total shipments to the Free World and total shipments of petroleum have been rounded to as many significant digits as appropriate. Because of rounding, components may not add to the totals shown.

b. Excluding the US.

c. Including crude oil to be refined for accounts for third countries. In addition to the data shown, the trade agreement between Albania and Italy for 1964 provided for shipment of 150,000 metric tons of crude oil from Albania to Italy. It is not yet known whether this quota was fulfilled.

d. Including an estimated amount of petroleum products transshipped via the Netherlands to West Germany.

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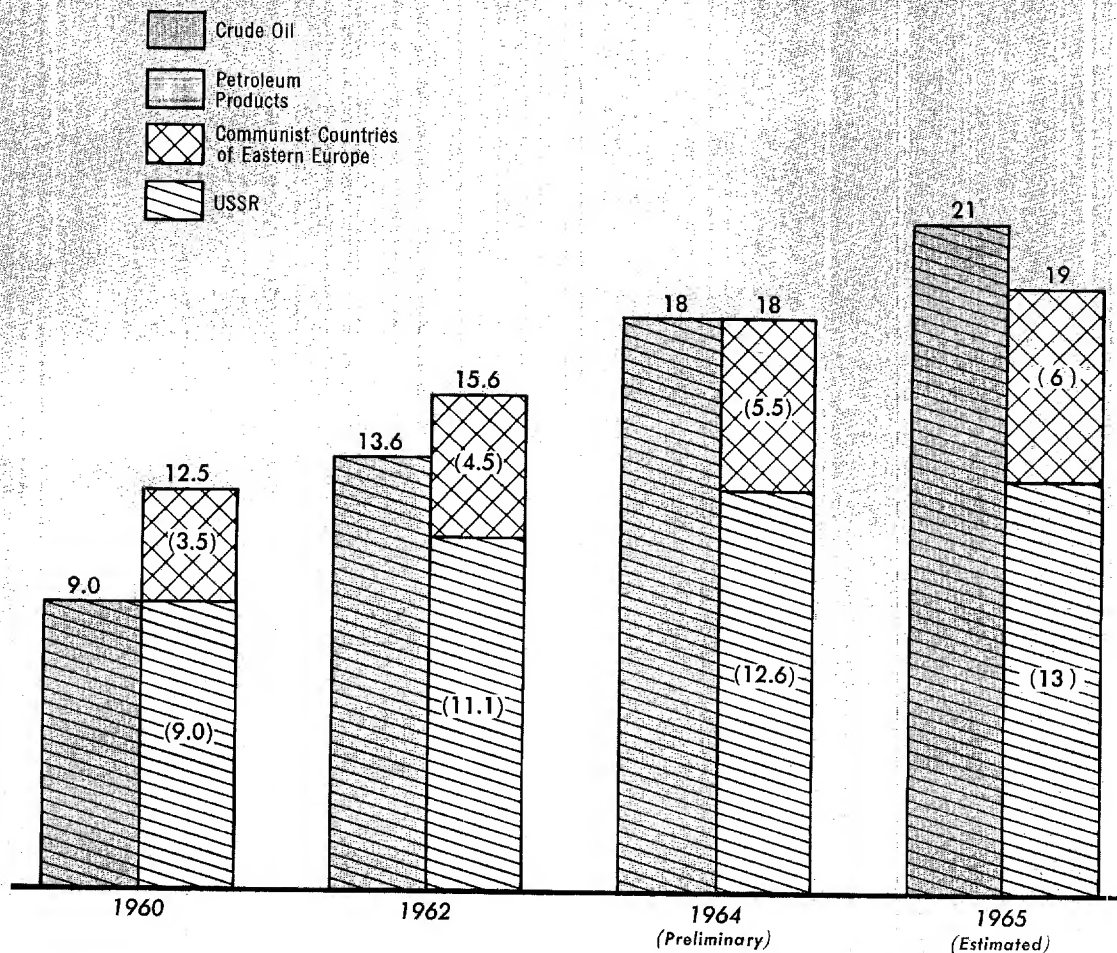
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Figure 1

**SALES OF CRUDE OIL AND PETROLEUM PRODUCTS
BY THE USSR AND THE COMMUNIST COUNTRIES
OF EASTERN EUROPE TO THE FREE WORLD
SELECTED YEARS, 1960-65**

(Million Metric Tons)



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Because of rounding, components may not add up to the totals shown.

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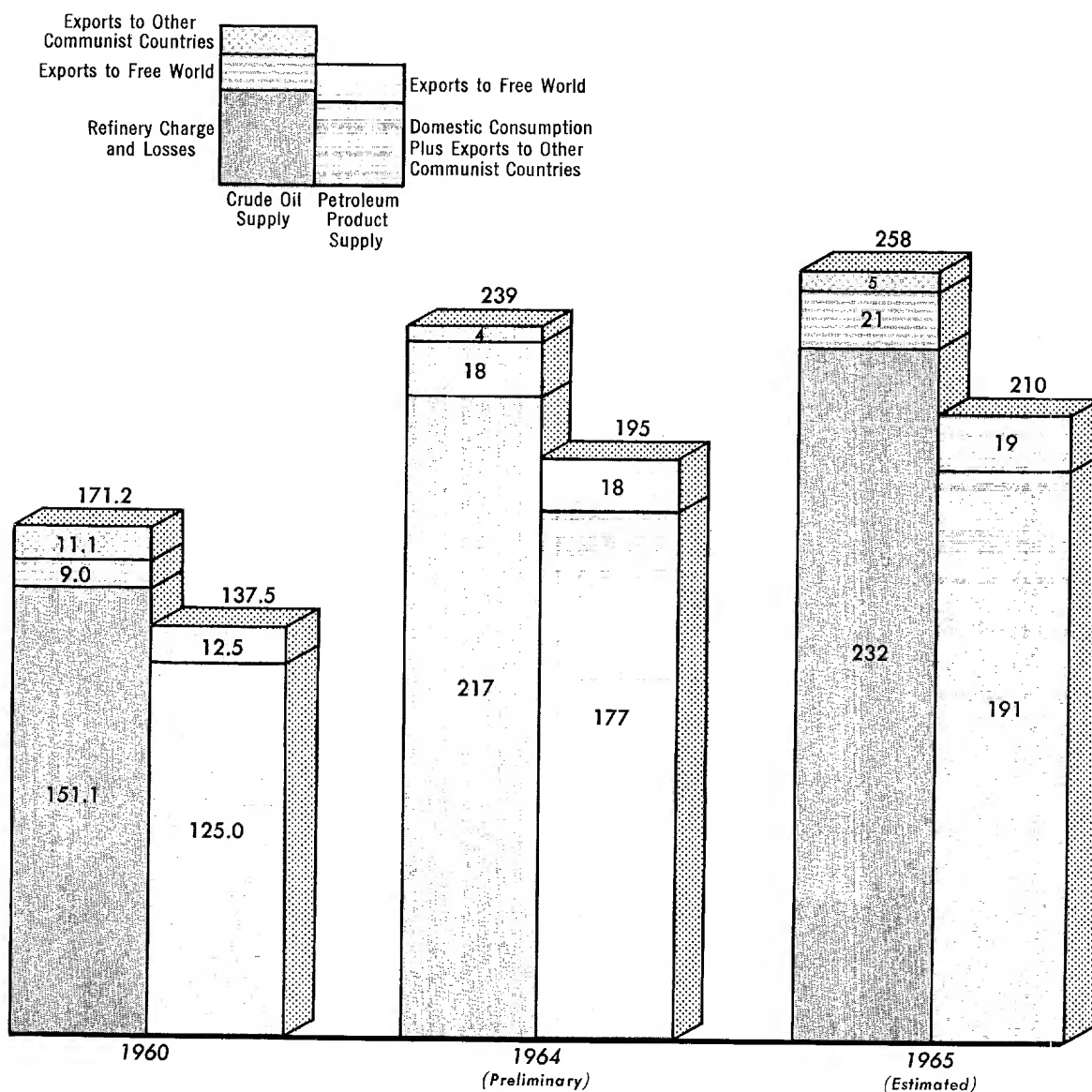
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Figure 2

ALLOCATION OF CRUDE OIL AND PETROLEUM PRODUCTS IN THE USSR AND COMMUNIST COUNTRIES OF EASTERN EUROPE

SELECTED YEARS, 1960-65

(Million Metric Tons)



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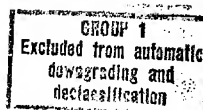
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